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From: Bloomberg BNA
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Daily Environment Report

Afternoon Briefing - Your Preview of Today's News

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Perry Said to Be Offered Energy Secretary's Position by Trump

Posted December 13, 2016, 10:19 A.M. ET

By Bloomberg News

Donald Trump has chosen Rick Perry to be Energy Secretary, putting the one-time presidential candidate and former oil-state governor atop the agency charged with charting the nation's energy future, according to two people familiar with the president-elect's selection process.

Trump offered the job to the former Texas governor in the evening of Dec. 12 and he accepted, according to the people, who asked not to be identified in advance of announcement expected later this week.

Perry, 66, was known in the oil state of Texas as a proponent of "American energy," viewing energy policy as a economic development goal, while also encouraging investment in alternative sources such as wind and solar.

His nomination breaks with a recent tradition of putting scientists at the top of the Energy Department. Among other things, the agency is responsible for policies on the safe handling of nuclear material and on emerging energy technologies.

Perry is at least the third cabinet pick considered friendly to the oil industry, with Trump's selection of Exxon Mobil Corp. chief Rex Tillerson as his secretary of state nominee and Oklahoma Attorney General Scott Pruitt, who has a history of suing the Environmental Protection Agency, as chief of that agency.

Trump is also expected to name Jay Martin Cohen, a retired Navy rear admiral, as under secretary for nuclear security, a position within the Energy Department, one person said.

Famous Flub

The selection of Perry puts the vast energy agency in the hands of a man who once vowed to shut it down but forgot its name during a debate.

Perry twice ran for the Republican presidential nomination, presenting himself as a pro-business candidate and touting Texas' strong job-creation record during his tenure.

The first bid faltered after a series of gaffes. In the most famous, Perry was unable, during a 2011 debate, to name the third federal agency that he wanted to disband along with the departments of commerce and education. It was the Energy Department.

A second run, launched in 2015, began with high expectations but ended amid low poll numbers after only a few months.

As the longest-serving governor in Texas, Perry, 66, oversaw a state that is a powerhouse in both fossil fuel and renewable energy. It is the nation's biggest producer of oil and, thanks to a wave of turbine installations, has the capacity to generate more wind energy than any other state.

That background could be a limited asset for Perry, though. Despite its name, the 39-year-old Energy Department's chief role is managing the national nuclear weapons complex, promoting nuclear security and advocating nonproliferation. Under President Barack Obama the department also has played a lead role advancing clean energy technologies.

Ernest Moniz, the current energy secretary, is a nuclear physicist who previously headed an energy initiative at the Massachusetts Institute of Technology. He was preceded by Steven Chu, a Nobel laureate who directed the Lawrence Berkeley National Lab and was a professor of physics and molecular and cellular biology. Perry earned a degree in animal science from Texas A&M University.

Trump has promised to unleash domestic oil, gas and coal production, largely by rescinding "job-killing" rules and environmental regulations. Although the Interior Department and Environmental Protection Agency would be the target for much of that regulatory rollback, a questionnaire circulated by Trump advisers signals future scrutiny of the Energy Department's national labs and loan guarantee programs.

Perry's Texas roots gave him a close-up view of the U.S. energy renaissance, as the combination of horizontal drilling and hydraulic fracturing techniques helped drive domestic oil and production to near-record levels.

But Perry also helped drive the development of wind power in Texas, by signing legislation requiring the state to boost how much electricity it derived from renewable sources. He also supported a program to build thousands of miles of power lines ensuring wind power from Texas' gusty panhandle could be sent to urban areas.

Salo Zelermyer, a former senior counsel at the Energy Department now with Bracewell LLC, said Perry's tenure as Texas governor "embodied the type of all-of-the-above approach to U.S. energy production that many have advocated on both sides of the aisle."

"This track record will serve Perry well not only in leading the Department of Energy but also in becoming a significant part of the new administration's approach to issues like regulatory reform and infrastructure investment," Zelermyer said by e-mail. "As Texas has shown, it is indeed possible to successfully balance appropriate environmental regulations with domestic energy production and use."

Legal Trouble

Perry previously served as Texas agricultural commissioner and has headed the Republican governor's association.

He was indicted in 2014 for abuse of power and coercion after threatening to veto funds for a Travis County office that investigates corruption unless the district attorney, who had pleaded guilty to driving while intoxicated, resigned.

Perry pleaded not guilty, and an appeals court dismissed the final counts in February, determining that a court limiting the governor's veto authority violated separation of powers provisions of the state constitution as well as his free-speech rights.

Perry serves on the board of Energy Transfer Partners LP, the company whose pipeline project has drawn opposition in North Dakota and has become a rallying cry from environmentalists. While the Obama administration has stalled the project, Trump has signaled he will speed federal approvals for energy infrastructure.

Perry engaged in a very public feud with the EPA over U.S. biofuel mandates, after leading an unsuccessful campaign in 2012 to persuade the agency to lower quotas.

Farm Family

According to an official biography on his 2016 presidential campaign website, James Richard "Rick" Perry was raised by tenant farmers in the West Texas town of Paint Creek. He was the first member of his immediate family to attend college.

From 1972 to 1977 he served in the U.S. Air Force, flying C-130 aircraft in Europe and the Middle East. Perry boasts of being a life-time member of the National Rifle Association and the American Legion.

He began his political career as a Texas state representative and, from 1994 to 1998, served as the state's commissioner of agriculture. He succeeded George W. Bush as governor in 2000 and held the office until 2015.

Perry was named chairman of the Republican Governors Association in 2008 and again in 2011.

Oil, Gas Companies May Offer Methane Data Under EPA Proposal

Posted December 13, 2016, 12:35 P.M. ET

By Rachel Leven

Oil and gas companies could set and disclose unique methane emissions reduction targets to the Environmental Protection Agency as part of a voluntary program's proposed information collection, a soon-to-be-published notice said.

The 58 partner companies the agency estimates would participate in the proposed information collection–implementing the Natural Gas STAR Methane Challenge Program–would submit implementation plans at the start. Each year the partners would submit data documenting last year's emissions and reduction activities related to the potent greenhouse gas.

"The Program works to encourage oil and natural gas companies to go above and beyond existing regulatory action and make meaningful and transparent commitments to yield significant methane emissions reductions in a quick, flexible, cost-effective way," the EPA said in the notice to be published in the Federal Register on Dec. 14.

The proposed collection, which is expected to cost $268,952 annually for three years, is part of the federal government's broader plan to reduce methane emissions that includes regulations. It has been given a cool reception by one of the industry's most prominent voices in Washington, the American Petroleum Institute, which previously said it wouldn't comment on the voluntary program to its members. However, dozens of companies, including Duke Energy Corp., DTE Energy Co. and Vectren Corp, have joined the voluntary program.

Comments on the proposed collection are due Feb. 13, after President-elect Donald Trump (R) takes office.

EPA Toughens View of Fracking as Danger to Drinking Water

Posted December 13, 2016, 02:13 P.M. ET

By Jennifer A. Dlouhy

The Environmental Protection Agency in a widely anticipated report Dec. 13 backed away from its earlier conclusion that hydraulic fracturing has not caused "widespread, systemic" damage to drinking water, drawing a swift rebuke from the oil industry.

The agency did not have enough information about potential water contamination to support the broad assertion that had been in a draft of the report, EPA Deputy Assistant Administrator Thomas Burke said.

"Significant data gaps and uncertainties limited our ability to estimate the national frequency of impacts," Burke told reporters on a conference call. "Consequently, EPA scientists concluded that the sentence could not be quantitatively supported."

The analysis issued Dec. 13 represents the culmination of a multiyear, $29 million study to evaluate potential water pollution from hydraulic fracturing, or fracking, which involves pumping water, sand and chemicals underground to free oil and gas.

The issue of water safety has dogged fracking, which drove an energy revolution in the U.S. but has also drawn persistent complaints by environmentalists that it endangers water supplies.

2015 Report

In a draft version of the analysis issued June 2015, the EPA said there were ways that fracking activities could affect drinking water resources, including through surface spills of chemicals used in the process, but it found no evidence "that these mechanisms have led to widespread, systemic impacts on drinking water resources."

That finding—widely quoted in news coverage—drew a strong rebuke from environmentalists and an EPA panel of scientific advisers who said it was not consistent with the rest of the analysis or the inherent limitations in the agency's assessment. EPA's Science Advisory Board urged the agency to revise its summary statements to clearly link the assertions to evidence in the body of the report. If the EPA chose to retain its high-level conclusion ruling out "widespread, systemic impacts," then it also "should provide quantitative analysis that supports its conclusion," the advisory board said in August.

The final version of the report, released Dec. 13, does not include a similar reference ruling out systemic, widespread contamination. Burke said it was refined by scientists in response to feedback from the public and the peer-review process, including concerns that the earlier "sentence really did not communicate the findings of the report."

Hundreds of Pages

"The final assessment report released today reflects a clear representation of the current state of the science," Burke said.

Over hundreds of pages in the final report, the EPA concedes that its analysis was limited from the start.

"There were instances in which we were unable to form conclusions about the potential for activities in the hydraulic fracturing water cycle to impact drinking water resources and/or the factors that influence the frequency or severity of impacts," the report says. "The limited amount of data collected before, during and after activities in the hydraulic fracturing water cycle reduces the ability to determine whether these activities affected drinking water resources."

The final version includes a broad overview of what EPA called activities and "factors that likely result in more frequent or more severe impacts on drinking water resources," including the use of water for fracking in relatively arid areas and spills of fluids used in the process. The agency also highlighted the possibility that when fracking fluids are pumped into wells with inadequate mechanical integrity, gases or liquids could migrate underground.

'Beyond Absurd'

Although the assessment acknowledges potential problems from disposing inadequately treated wastewater in surface water or unlined pits, it does not address concerns that storing those fluids deep underground induces earthquakes.

Oil industry leaders argued the EPA's conclusions were right from the start and blasted the agency for changing direction.

"It is beyond absurd for the administration to reverse course on its way out the door," said Erik Milito, a director of upstream and industry operations at the American Petroleum Institute. "The agency has walked away from nearly a thousand sources of information from published papers, technical reports and peer reviewed scientific reports demonstrating that industry practices, industry trends and regulatory programs protect water resources at every step of the hydraulic fracturing process."

Environmentalists said the report confirms fracking isn't safe.

Threatens Water

Where the first version downplayed impacts to drinking water, “the final assessment confirms what we’ve known for years: Fracking threatens drinking water,” said John Noel, Clean Water Action’s national oil and gas campaigns coordinator. “We are glad EPA resisted oil and gas industry spin, followed the science and delivered the facts.”

Wenonah Hauter, executive director of Food and Water Watch said the EPA had rightly “chosen to be frank about the inherent harms and hazards of fracking.“

It’s not clear what effect the final report will have on federal and state policies governing fracking, which have evolved in the seven years since Congress first ordered the study. Lawmakers asked the EPA for the assessment in 2009 as concerns about the ingredients of the fracking fluids being pumped underground and the possibility of contamination risked a backlash against U.S. oil and gas drilling, just as production surged.

Burke said the report still gives clear indications of how things can be done better and areas of vulnerability. There is “a wealth of information that can really help guide thinking and progress with hydraulic fracturing to protect our water resources,” he said.

Trump Picks Exxon Mobil CEO Tillerson to Be Secretary of State

Posted December 13, 2016, 8:36 A.M. ET

By Jennifer Jacobs and Nick Wadhams

Exxon Mobil Corp. Chief Executive Officer Rex Tillerson will be nominated as President-elect Donald Trump’s secretary of state, setting up a potential confirmation battle with U.S. lawmakers who have questioned his relationship with Russian President Vladimir Putin.

Trump praised Tillerson’s global business experience in a Dec. 13 statement from his transition team that announced the selection.

“Rex knows how to manage a global enterprise, which is crucial to running a successful State Department, and his relationships with leaders all over the world are second to none,” Trump said.

Tillerson said that he will focus on restoring America’s credibility on the international stage.

“We must focus on strengthening our alliances, pursuing shared national interests and enhancing the strength, security and sovereignty of the United States,” Tillerson said in the statement.

The oil executive beat out several high profile candidates for the job, including Trump loyalist and former New York City Mayor Rudy Giuliani, who took his name out of the running, and former Massachusetts Governor Mitt Romney, who had been a Trump critic during the campaign. Romney announced Dec. 12 that he was no longer in the running to be America’s chief diplomat.

Senate Scrutiny

Tillerson, who hits Exxon’s mandatory retirement age of 65 in March, has accepted Trump’s offer. He would be the first oil executive and only the second Texan to lead the State Department. If Trump’s choice is confirmed by the Senate, it would hand the job of the nation’s top diplomat to a man whose ties to Putin go back almost two decades at a time when possible Russian interference in the U.S. election is under scrutiny.

The prospect of a Tillerson nomination has already drawn some objections from lawmakers in both parties, who expressed concern about his extensive dealings with Putin. That suggests that the Exxon executive could face a messy Senate confirmation fight. Republican Senators John McCain of Arizona and Marco Rubio of Florida were among those who said they had questions about Tillerson's dealings with Putin.

Confirmation hearings may also become a proxy fight over Trump's position that Putin is an effective leader with whom he can reach agreements, a stance widely unpopular among lawmakers in both parties.

Russian Hacking Probe

Added to the mix is a looming inquiry into Russian meddling in the election. The Washington Post reported on Dec. 9 that the CIA has told senators that Putin's government was actively seeking to help Trump win the election—a step beyond an earlier finding that the goal was to undermine the credibility of the U.S. political process.

President Barack Obama has ordered a full review of the evidence of Russian hacking. Trump has rejected the idea that Russia has been pinpointed as the source of the hacks of Democratic Party servers.

David Mortlock, a former director of international economic affairs on Obama's National Security Council, said a Tillerson nomination would extend a trend of the U.S. pursuing "economic statecraft" that began under Hillary Clinton, who Trump defeated in the presidential contest, when she was secretary of state.

'Economic Statecraft'

"It ironically continues something that really started in the Clinton State Department which is economic statecraft and the fact that U.S. CEOs, U.S. companies have been some of our best diplomats overseas and the U.S. brand is an important part of U.S. diplomacy and U.S. representation," Mortlock said.

Kellyanne Conway, a top Trump adviser, said Dec. 9 on Fox News that those who were considered by Trump also included Alan Mulally, the former CEO of Ford Motor Co., former CIA Director David Petraeus, Senate Foreign Relations Committee Chairman Bob Corker, former U.S. Ambassador to the United Nations John Bolton, and Representative Dana Rohrabacher, a California Republican.

"It was an honor to have been considered for Secretary of State of our great country," Romney said in a Facebook post Dec. 12 acknowledging he would not be named to the job. "My discussions with President-elect Trump have been both enjoyable and enlightening. I have very high hopes that the new administration will lead the nation to greater strength, prosperity and peace."

With assistance from Joe Sobczyk, Joe Carroll and Arit John.

Trump's Tillerson Pick Gives Keystone XL a Friend in Washington

Posted December 13, 2016, 03:36 P.M. ET

By Meenal Vamburkar

President-elect Donald Trump's plan to put a supporter of the Keystone XL pipeline into a crucial decision-making position may give the controversial pipeline a leg up.

If approved as Secretary of State, Exxon Mobil Corp. Chairman and Chief Executive Officer Rex Tillerson would be in a position to approve the pipeline's presidential permit, a requirement for energy projects that cross an international border. President Barack Obama rejected the $8 billion project in 2015, saying it wasn't in the national interest.

"Keystone XL would do more than deliver oil from Alberta and North Dakota's Bakken Shale to refiners on the Gulf Coast," Tillerson said in an April 2015 speech. "It would improve U.S. competitiveness, increase North American energy security, and strengthen the relationship with one of our most important allies and trading partners."

Trump has expressed support for infrastructure projects, including adding pipelines. He said this weekend that he will issue a decision "fairly quickly" on Keystone, in addition to saying "something will happen" on the controversial Dakota Access pipeline.

Project Writedown

TransCanada Corp. was forced to write down $3 billion after the plan was rejected by the Obama administration. The company filed suit over the denial and began one of the largest trade appeals ever brought against the U.S., seeking to recoup $15 billion of costs and damages.

Tillerson's potential appointment "has a meaningful impact on how we should think about Trump's international energy policy going forward," but the revival of Keystone XL may not be in his hands, said Katie Bays, an analyst at Height Securities LLC, an advisory and investment firm based in Washington.

The fastest way to approve the project may be to take the State Department out of the process, Bays said. Trying to reverse the previous decision "clearly creates an opportunity for a legal challenge"—and Tillerson is likely to support a move that lowers the bar for infrastructure projects more broadly.

Advisers to Trump are exploring a strategy to speed up the approval process that includes rescinding a 1968 executive order that put the State Department in charge of permitting border-crossing oil pipelines, according to people familiar with the transition planning.

"It's primarily political," Bays said. Resurrecting the project is "a feather in the cap for a Republican Congress and a Republican administration."

'Firmly Committed'

TransCanada remains "firmly committed" to the project and "will be in a better position to provide comment on our next steps and the path forward after the transition process has been settled," spokesman Mark Cooper said in an e-mailed statement.

“TransCanada does not feel it is its place to speak to the transition process in the U.S.,” he said. “We are sensitive to the enormous amount of work that is going into forming the new administration and are respectful of that.“

The company’s shares rose as much as 2.6 percent to C$60.49 on Dec. 13, the most intraday since Nov. 9.

If the pipeline operator did reapply for the border-crossing permit that Obama rejected, the Trump administration would approve it, but the project may get caught up in the same local fights it did the first time, said Erika Coombs, an analyst at BTU Analytics LLC.

Reapplying through the State Department may also entail updating previous environmental reviews, which would be expensive, Coombs said. “It’s not going to be easier the second time.“

Project Risk

In Canada, Kinder Morgan Inc.’s Trans Mountain expansion and Enbridge Inc.’s Line 3 replacement were approved earlier this month. That comes as TransCanada’s Energy East pipeline remains mired in regulatory hearings and opposition from environmentalists.

Calgary-based TransCanada may not want to grapple with two controversial projects simultaneously, Coombs said. In addition, with Kinder Morgan and Enbridge projects gaining approval, TransCanada could have a tougher time securing necessary contract volumes for Keystone.

“The economic incentive isn’t as strong as it once was,” she said.

Viewed against the backdrop of Energy Transfer Partners LP’s controversial Dakota Access Pipeline, Keystone is poised to be a public-relations nightmare if TransCanada pursues it, said Height’s Bays.

“Keystone would be an easier project if it had either a lot of political support at the local level or a very strong economic argument,” Bays said. “And both of those issues are kind of lukewarm.“

—With assistance from Tina Davis and Jennifer A. Dlouhy

Transportation Guidance Won’t Lead to Pollution Problems: EPA

Posted December 13, 2016, 02:14 P.M. ET

By Patrick Ambrosio

Updated guidance on modeling emissions from new transportation infrastructure projects will not hurt the ability of areas to meet national standards for particulate matter, the Environmental Protection Agency told a federal appeals court (Sierra Club v. EPA, D.C. Cir., No. 16-1097, brief filed 12/12/16).

The 2015 guidance document provides state and local air quality officials with technical information on how to model estimated particulate matter emissions from proposed transportation projects in areas that don't meet federal air quality standards. Environmental advocacy organizations filed a lawsuit with the U.S. Court of Appeals for the District of Columbia Circuit over the guidance, which the advocates argued would allow for the approval of projects that emit enough particulate matter to trigger violations of the standards on more days than allowed.

The EPA, in a brief filed late Dec. 12, argued that the environmental advocates "misunderstand" how the guidance is applied in practice. The agency acknowledged that the guidance update might result in the approval of transportation projects that may not have been backed under past guidance.

However, that is because the modeling instructions contained in previous agency guidance could, in certain circumstances, result in the disapproval of projects even if the emissions associated with that product would not cause problems with an area's ability to meet national particulate matter standards, according to the EPA.

"The conformity process is specifically designed to identify projects that will jeopardize [national ambient air quality standards] attainment, not to block projects that might result in some increase in air pollution, but cannot reasonably be expected to affect [national ambient air quality standards] attainment," the agency said.

In addition to defending its guidance as the result of reasonable decision-making, the EPA also argued that the litigation should be dismissed on procedural grounds for lack of standing. While the advocates identified highway construction projects in Denver, Los Angeles and Phoenix as projects that would harm their members because of increased emissions, the EPA argued those organizations have not met their burden of showing that the highway projects have resulted in an injury that was caused by the 2015 guidance update or could be addressed by a court striking down the guidance.

The EPA is represented in the litigation by Meghan Greenfield, a trial attorney in the U.S. Justice Department's Environmental Defense Section. The Sierra Club and other environmental petitioners are represented by Robert Yuhnke, a Colorado-based attorney. The Sierra Club has received funding from Bloomberg Philanthropies, the charitable organization founded by Michael Bloomberg, the majority owner of Bloomberg L.P., parent of Bloomberg BNA.

Fewer Efficiency Standards Under Trump, Stakeholders Predict

Posted December 13, 2016, 02:17 P.M. ET

By Rebecca Kern

Energy efficiency standards—one of the hallmarks of the Obama administration's climate strategy—likely won't be pursued as energetically in the Trump administration, stakeholders predict.

The Energy Department has finalized at least 44 new or updated appliance standards since President Barack Obama took office in 2009. They are projected to save consumers a total of $550 billion on energy bills between 2009 and 2030.

Efficiency standards have been a cornerstone of the administration's Climate Action Plan goal of reducing carbon emissions by 3 billion metric tons by 2030.

President-elect Donald Trump has not accepted the science of climate change. Trump said he would repeal the Obama administration's Clean Power Plan, which puts the first carbon emissions limits on power plants.

He appointed Oklahoma Attorney General Scott Pruitt as Environmental Protection Agency administrator and reportedly intends to nominate Rick Perry as energy secretary. Both reject climate science.

Some observers think these signals mean Trump also might call for slowing energy efficiency efforts.

In fact, in a 75-question memo sent to the Energy Department, the Trump transition team asked about the statutes behind the energy efficiency standards, particularly which appliance products are subject to statutory requirements and which are discretionary.

“From everything we’ve seen, heard, the cast of characters and the questionnaire, we’re not hopeful that [the Trump administration] is going to continue to pursue energy efficiency with any vigor, even though it is broadly popular and effective,” David Goldston, the Natural Resources Defense Council’s director of government affairs, told Bloomberg BNA Dec. 12.

The efficiency standards already in effect are expected to continue.

“Undoing the regulations that are already in place and enforced, not only is not practical, I don’t even know that it’s possible because the manufacturers are meeting the efficiency requirements. They’re not going to go back to making less efficient products,” Kateri Callahan, president of the Alliance to Save Energy, an energy efficiency coalition, told Bloomberg BNA.

However, Callahan noted that final regulations that the Energy Department has issued since May could be subject to repeal through the Congressional Review Act. Those include a negotiated final standard for central air conditioners and heat pumps.

But it remains to be seen whether Trump would want to prioritize efforts to repeal these rules and whether there is support in Congress, she said.

Energy-efficiency standards set minimum efficiency requirements to reduce the amount of energy that appliances and equipment use, which leads to reductions of carbon emissions as well as savings for consumers who end up using less electricity to operate the products.

More Rational Approach

The Energy Department is required by law to review energy standards for more than 60 regulated products every six years.

Associations representing appliance manufacturers say they hope the new administration takes a more “rational” approach to determining whether to update or issue new standards when these reviews take place.

“There are significant opportunities for reform in this area in that the current administration has really over-reached more on quantity of standards, as opposed to quality,” Kevin Messner, senior vice president of policy and government relations at the Association of Home Appliance Manufacturers, told Bloomberg BNA.

“The Department of Energy has always been one of the better appliance standards programs. It’s always been data driven. It's brought stakeholders together, which takes time," he said. "The patience has not necessarily been there over the past few years, but at the same time our products have gone through multiple standards reviews over the years."

Stephen Yurek, president and CEO of the Air-Conditioning, Heating and Refrigeration Institute, which represents commercial and residential heating and cooling equipment manufacturers, said he hoped the Trump administration would stop considering the social cost of carbon dioxide emissions when setting the standards.

The social cost of carbon is the tool the federal government uses to monetize the impact of climate change. Yurek said the Obama administration used it to justify the economic benefits of higher efficiency standards.

Messner said his group will push for changes in the law that establishes the standards process, the Energy Policy and Conservation Act of 1975, such as giving the agency flexibility to put a product into a category which has a less restrictive standard.

Long Bipartisan History

The Energy Department's Appliance and Equipment Standards Program covers approximately 66 products, representing about 90 percent of home energy use, 60 percent of commercial building energy use, and approximately 30 percent of industrial energy use.

Efficiency standards have had bipartisan support.

Appliance efficiency standards were first signed into law in the Energy Policy and Conservation Act of 1975 under President Gerald Ford, and then the National Appliance Energy Conservation Act of 1987 under President Ronald Reagan.

Under those laws, the Energy Department is required to review and decide whether to issue a proposed energy-efficiency standard every six years, with a final rule due every eight years. The laws have since been updated under both Democratic and Republican administrations in 1992, 2005 and 2007 to apply efficiency standards to more products.

A Few Standards Jeopardized

There are provisions in the existing statutes that allow the Energy Department to make standards for products not specifically stipulated in the the law, but can be issued on a discretionary basis by the administration.

Two such first-time energy efficiency standards issued by the Energy Department during the Obama administration are for portable air conditioners, for which the final rule is currently under review by the Office of Management and Budget, and commercial fans and blowers, which is still in the early rulemaking process.

If these standards aren't finalized by the the Obama administration, they'd go to the Trump administration, which may not have an incentive to pursue them since they are discretionary, Andrew deLaski, executive director of the Appliance Standards Awareness Project, an energy efficiency advocacy group, told Bloomberg BNA.

"For the 60-odd products that already have standards, [the Trump administration] must review those. But for the things that the agency was exercising its discretion to expand the scope, those are activities that are not required under the statute," deLaski said.

February Argument Set for EPA Refrigerant Phaseout Rule

Posted December 13, 2016, 03:43 P.M. ET

A federal appellate court will hear argument Feb. 17, 2017, on an Environmental Protection Agency rule to phase out the use of some refrigerants that are also potent greenhouse gases (Mexichem Fluor, Inc. v. EPA, D.C. Cir., No. 15-1328, 12/13/16).

The three judge panel of the U.S. Court of Appeals for the District of Columbia Circuit that will hear the argument has not yet been assigned.

MexichemFluor Inc. and Arkema Inc., which manufacture hydrofluorocarbons, are challenging the EPA's decision (RIN:2060-AS18) to update its list of acceptable alternatives for ozone-depleting substances under the Clean Air Act in order to phase out some uses of HFCs with significant global warming potentials in favor of less-damaging substances.

The companies argue that the EPA improperly compared HFCs with new generations of chemicals when it made the decision to phase out the use of the substances in aerosols, foam blowing, motor vehicle air conditioning, retail food refrigeration and vending machines.

Trump's Potential Interior Picks Oppose Coal Leasing Rethink

Posted December 13, 2016, 03:02 P.M. ET

By Stephen Lee

President-elect Donald Trump's rumored picks to head the Interior Department are signaling how serious he is about ending the Obama administration's moratorium on federal coal leasing.

In January, the Interior Department froze the sale of new federal coal mining leases while rethinking its leasing terms.

During the campaign, Trump flatly said he wanted to end the moratorium. Similarly, Rep. Cathy McMorris Rodgers (R-Wash.), widely speculated to be Trump's Interior pick, has supported increased fossil fuel production on federal lands. The six-term lawmaker has also taken campaign contributions from the coal industry.

Another reported candidate is Rep. Ryan Zinke (R-Mont.), who introduced a bill in May that would force the Bureau of Land Management to end the coal moratorium by 2019. Zinke's bill passed the House Natural Resources committee in September.

The committee's chairman, Rep. Rob Bishop (R-Utah), said in a statement he was "optimistic" that the moratorium would be withdrawn under a new Interior secretary.

"This administration has distorted federal agencies statutory responsibility to promote multiple use on federal lands. A withdrawal would signal that the Trump administration is serious about upholding their legislative mandate to facilitate economic development in concert with recreation and conservation," Bishop said.

Kathleen Sgamma, president of the Western Energy Alliance, also said she is confident that Trump would end the moratorium.

“He was very bold during the campaign, talking about oil and gas and coal,” Sgamma told Bloomberg BNA. “I think he’s made promises to people in Ohio, Pennsylvania and West Virginia that he needs to keep.”

Strange Bedfellows

Paradoxically, Trump’s remedy for many of the nation’s woes—to negotiate better deals—is the same one environmentalists think is needed to fix the leasing program.

Green advocates say the government sells its leases far too cheaply, especially when considering the cost of climate change. Further, many lease auctions are held with only one bidder, resulting in noncompetitive winning bids, advocates say.

“It’s a terrible deal for the federal government and taxpayers,” Bob LeResche, chair of the Powder River Basin Resource Council, told Bloomberg BNA. “The new president thinks government is terrible at making deals, and in this case he’s right.”

That confluence of factors raises the possibility that Trump might tighten the leasing rules to extract higher payments from coal companies. But to many, the president-elect’s position is impossible to predict.

“If you look at Trump’s statements over the last 20 years and you were to jumble them around in a hat, you wouldn’t have any idea where he stands right now,” Theo Spencer, senior policy advocate at the Natural Resource Defense Council, told Bloomberg BNA. “He’s talking to Al Gore and one day and appointing [Scott] Pruitt [as head of the Environmental Protection Agency] the next.”

Will It Matter?

Either way, Spencer said that reopening federal leases won’t trigger a new rush to coal, because at least 20 years worth of unmined coal is already under lease.

“Even though there might be modest short-term spikes in coal prices, this is still an industry in structural decline,” Spencer said. “It would be extremely difficult to bring back the industry because it’s not environmental protections that have caused the problems; it’s market forces, mainly natural gas.”

“In the Powder River Basin, and even in Appalachia, people are saying it’s not going to make any difference,” LeResche agreed.

Sgamma saw things differently, saying that having an Interior Department that “is not beholden to the environmental lobby” will spur the economy.

BLM is expected to release programmatic environmental impact statements about its coal leasing program in early January 2017. The document is expected to change the program’s rules significantly. Although its release will come just days before President Barack Obama leaves office, environmentalists say it is still important for the administration to put the leasing program’s weaknesses on the record.

Contributions From Industry

Records show that McMorris Rodgers has taken more than $58,600 in campaign contributions from the mining industry over the course of her congressional career.

Among the contributors to McMorris Rodgers' House campaigns are Peabody Energy, Arch Coal and the National Mining Association, according to the National Institute on Money in State Politics.

Gold and silver producers also have kicked in, such as Hecla Mining, Newmont Mining, Echo Bay Minerals and Battle Mountain Gold.

Zinke, a first-term congressman, received $31,400 from the mining industry in 2015-2016, the Center for Responsive Politics reported based on Federal Election Commission data. The total was $31,000 from industry political action committees and $400 from individuals employed in the industry.

Monsanto CEO Says Shareholders Approved Bayer Deal, Strategy

Posted December 13, 2016, 01:33 P.M. ET

By Lydia Mulvany

Shareholders backing Bayer-Monsanto deal Dec. 13 in St. Louis reflects approval of the companies' belief that a combination will spur innovation and deliver new products faster, Monsanto CEO Hugh Grant said by phone.

In preliminary tabulations of a shareholder vote approving Monsanto Co.'s merger with Bayer AG, 75% of outstanding shares favored the deal with 99% of all votes cast

"There's a recognition in the strategy and what this new company can deliver," Grant said.

Because of long research and development horizons, often 10 years or more, Monsanto doesn't get "hung up" on individual administrations, including Trump's.

"Our action has been to leave the transition team to do their work, let them do their transitioning, we'll talk to our customers, Grant added.

As Monsanto puts high quality jobs in the Midwest and makes the region a hub for agricultural research, "I would assume for this administration, that has to be good news."

Bayer-Monsanto Deal Bad for Farmers: Environmental Group

Posted December 13, 2016, 03:23 P.M. ET

By Liz Crampton

Bayer AG's $66 billion takeover of Monsanto Co. would increase the use of "dangerous toxic pesticides" and the Justice Department should block the deal, an environmental advocacy group told the government in a Dec. 12 letter.

Farmers and the environment stand to be harmed by the creation of the world's largest seed and chemical company because it would decrease competition and innovation while increasing costs, the Natural Resources Defense Council said in a letter to DOJ's Antitrust Division. The combination–a "lose-lose for farmers and consumers"—allows for greater corporate control over farmers' planting choices, the non-profit organization said.

The group is particularly concerned the merger would reinforce chemical-intensive growing practices currently threatening bees that support billions in crops.

A merged Bayer and Monsanto would control 29 percent of the seeds market and 28 percent of pesticides, the group said.

"Mergers are a big win in a corporate boardroom, but out on the farm, consolidation just means higher costs," said Rebecca Riley, senior attorney with NRDC. "Farmers will likely have to pay more for seeds and chemicals, and those costs already have been rising faster than the prices farmers receive for their crops, according to the U.S. Department of Agriculture," Riley said.

The Bayer-Monsanto tie-up is one of many deals causing rapid consolidation in the agricultural industry. Dow Chemical Co. and DuPont Co. have plans to merge, and China National Chemical Corp. (ChemChina), a Chinese-owned chemical company, has offered to buy Syngenta AG.

Antitrust officials in the U.S. and across the globe will likely take a hard look at the deal, announced in September. In their merger agreement, the companies accounted for a protracted antitrust review by setting an expected closing date of the end of 2017. If the companies fail to obtain approval from regulators, Bayer will pay Monsanto a $2 billion reverse breakup fee.

Along with the other agricultural deals, the Bayer-Monsanto merger has been sharply criticized by members of Congress.

In September, Sen. Charles Grassley (R-Iowa) called for the Justice Department to scrutinize the merger in the framework of the agricultural industry's massive consolidation. The Bayer-Monsanto deal would substantially lessen competition and result in less choice and higher prices for farmers and consumers, said the chairman of the Senate Judiciary Committee.

Republican Sen. Mike Lee (R-Utah), chairman of the Subcommittee on Antitrust, Competition Policy and Consumer Rights, said it raises "serious antitrust issues."

Officials must consider not just the merger's impact on seed prices, but also whether it will stifle innovation and competition, said Democrat Sen. Amy Klobuchar (D-Minn.), ranking member of the antitrust subcommittee.

Trump's Pipeline Promise at the Mercy of Obscure U.S. Agency

Posted December 13, 2016, 03:16 P.M. ET

By Catherine Traywick

Donald Trump has said he'll speed up approvals for energy infrastructure projects when he gets to the White House. Standing at least partly in the way: An obscure panel of technocrats he'll have little sway over.

The Federal Energy Regulatory Commission, or FERC, is charged by law with approving new natural gas pipelines, an industry priority as gas unseats coal for power generation. While Trump can make some changes within the agency, his ability to quicken approvals is offset by the longstanding laws that drive the commission and its current makeup, with three Democrat-appointed members on a five-person board.

"Short of, literally, an act of Congress," making any big changes in how FERC operates is "wishful thinking," said Christi Tezak, managing director of ClearView Energy Partners, a Washington-based industry consultant, in a telephone interview.

Commissioners serve 5-year terms. The earliest any of the Democrats' terms will end is seven months away. Beyond that, FERC operates under economic and environmental laws that carry specific approval guidelines that have been tough to overcome, even as pipeline opponents grow increasingly sophisticated in using them to their advantage.

Last year, a deeply-divided Senate didn't even bother to take up a House-passed measure that would automatically approve pipeline applications still pending after a year. With an even slimmer majority post-election, Republicans may find it equally as difficult to pass similar legislation next year.

Aging Infrastructure

Builders say new natural gas pipelines are needed as locations of key energy sources change, and to replace aging infrastructure at a time when the shale boom has produced record levels of the fuel. A snail's-pace approval process, however, is making project planning tougher, even as demand rises for use of natural gas as a cleaner, cheaper option for generating electricity.

Since the end of 2013, it's taken almost 70 days longer on average to go from an initial FERC filing to notice of construction, according to a July report by Brandon Barnes, a Bloomberg Intelligence analyst. Overall, the average approval time was 429 days.

Trump has responded by vowing to expedite all energy projects.

With oil pipelines, overseen by a patchwork of federal agencies, he can make good on his promise. Trump is expected to approve the Keystone XL oil pipeline, rejecting a review of its cross-border siting by President Barack Obama's State Department. And he has said he supports the Dakota Access project, delayed as the Army Corps of Engineers demands more study.

With natural gas, however, his authority is limited. FERC's independence within the Department of Energy was mandated when it was formed by the U.S. Congress in 1977, in the wake of the OPEC oil embargo.

Comment Mandates

Today, FERC licenses hydropower projects, regulates electricity markets and sites interstate gas pipelines as directed by the 1938 Natural Gas Act and the 1969 National Environmental Policy Act. Under the former, the agency is tasked with determining the market demand for a given proposal and dismissing those that aren't seen as needed. Under the latter, FERC must weigh the ecological impact and reject projects found to be harmful. In each case, the laws mandate public comment and agency response.

While there isn't much Trump can do to speed up this process, barring a change in law, there are things he can adjust.

In August, under President Barack Obama, the White House Council on Environmental Quality released guidance on the National Environmental Policy Act that urged federal agencies to consider the impact of regulatory actions on climate change. The guidance has been a matter of discord between FERC and the Environmental Protection Agency, which has adopted a more aggressive stance on FERC's reviews since the guidance was issued.

Legal Challenges

While the guidance hasn't significantly slowed the process, it lays the groundwork for legal challenges that could stymie proposals down the road, according to Marc Spitzer, a former FERC commissioner.

Trump could also name a new chairman for the panel, replacing Norman Bay. While Bay could continue as a commissioner until his term expires in June 2018, maintaining a Democratic voting majority, a Republican chairman would be able to dictate which initiatives FERC takes up pro-actively. Under Bay's leadership, for example, FERC focused on integrating renewable energy technologies into electricity markets.

"Someone else could come along and say that's not a priority," said FERC Commissioner Cheryl LaFleur, a former chairman.

A Trump-appointed chairman, for instance, could prioritize liquefied natural gas export terminals, a process less covered by existing law, giving commissioners more discretion. So far, FERC has only rejected one proposal for an export terminal, Veresen Inc.'s plan to build in Oregon.

'Friendly' to Ports

Under a Republican chairman, "FERC could move more in the direction of being friendly to those ports," said Ron Binz, an energy consultant and former Colorado regulator.

In some cases, though, a commissioner's party affiliation doesn't matter, according to Spitzer, who is a Republican. "There are some projects that should not be built," he said, referring to the decision to reject Veresen's plans. "A Republican commission, I think, would do the same thing."

At the same time, analysts on both sides of the issue say the Trump administration could see even slower pipeline approvals than before as environmental groups, revved up by Trump's pro-carbon campaign rhetoric, intensify their efforts to gum up FERC's process.

U.S. laws allow public stakeholders to raise concerns about pipeline applications, which can create delays as FERC reviews the petitions or waits for companies to respond to the points raised. Among the latest permit delays are the Atlantic Sunrise pipeline, a 200-mile (322-kilometer) extension of Williams Partners' Transco pipeline system, and the PennEast Pipeline project, designed to transport natural gas from the Marcellus shale region to the Northeast.

FERC in November also announced it was delaying the final environmental reviews of Columbia Pipeline Group's Mountaineer Xpress project in West Virginia and its Gulf Xpress project in Kentucky, Tennessee and Mississippi.

Protests Rise

Protests have increased by at least threefold since 2008, driven by an increasingly sophisticated and science-based activist movement.

“The parties who are intervening have studied FERC, they have studied the laws, and they are raising points that have never been raised before,” said Don Santa, president of the Interstate Natural Gas Association of America. “It’s putting an added burden on the commission, on the staff and on the applicants.“

That’s not likely to change under Trump, according to ClearView Energy’s Tezak. “The quality of the challenges will continue to improve, requiring more time and money to address,” she said.

With assistance from Jonathan N. Crawford and Dave Merrill.

South Korea Raises Electric Vehicle Incentives to Fuel Market

Posted December 13, 2016, 01:30 P.M. ET

By Elaine Ramirez

South Korea is stepping up its incentives for the adoption of electric vehicles through subsidies and improved battery charging infrastructure nationwide.

The government announced Dec. 12 a special discount for charging electric vehicles, from January 2017 to 2020. The three-year plan exempts the monthly basic operating cost—a follow-up to a 50 percent cut in August—and gives a 50 percent discount on the charging fee, applicable for drivers using household chargers at night.

A driver who operates an electric vehicle 15,000 kilometers per year, for example, would see charging costs drop from 400,000 Korean won ($343) to 135,000 ($116) won, the government said.

“Thanks to the new policy, charging EVs will only cost 100,000 won a year while gasoline-powered cars would be paying 2 million won for gas a year for the same use, as EVs cost much less to operate than gas-fueled vehicles,” a Ministry of Trade, Industry and Energy official said.

GM Korea said the subsidies would apply to its Spark EV and Bolt EV from next year but exclude the Volt, which is categorized separately as an extended-range electric vehicle.

The government came under fire earlier this year for slashing some electric vehicle purchasing and charger installation subsidies. Public quick chargers, which were once free to use, also now come at a cost. The latest actions appear to reintroduce some benefits to warm up the market.

On the Rise

South Korea saw a 64 percent on-year increase in electric vehicle distribution of 4,622 units from Jan. 1 to Dec. 8, with over 2,400 additional units ready to be launched, according to the Ministry of Environment. That’s compared to 2,821 in 2015, the first year the number broke 2,000.

The government hopes to circulate 14,000 electric vehicles in 2017, with an eventual goal to distribute 2.2 million electric, hybrid and plug-in hybrid cars, or 10 percent of registered motor vehicles, by 2020. The southern resort island Jeju in particular aims to go fully electric vehicle by 2030. Over 10,000 electric vehicles vehicles have been distributed in the country since 2011, according to government data.

The charging subsidy is one of a slew of promotions to increase the distribution of electric vehicles in the country by eliminating obstacles such as low mileage, lack of infrastructure and little incentive to adopt green cars.

Earlier this year, the government:

• increased the electric vehicle purchasing subsidy to 14 million won ($12,000) from 12 million won ($12,220);

• developed special insurance plans; and

• required public organizations and institutions to buy electric vehicles to make up at least 40 percent of state-owned vehicles.

Local governments have also offered annual subsidies of 5 million won ($4,260) on average, kicking up the total subsidies to 19 million won ($16,180) per vehicle.

On top of the subsidies, the government's existing array of related tax incentives, which amount to 4 million won ($3,400) in cuts, will continue until 2018.

“Korea's EV distribution conditions including the EV charging infrastructure will be significantly improved and reach that of advanced countries,” said Lee Hyung-sup, head of the Ministry of Environment's clean air planning team. “With more long-range EVs to be introduced next year, along with highway toll reduction policies and other benefits, we will easily achieve our target EV distribution level.”

Meanwhile, the government announced a pilot project Dec. 12 to test fuel-cell hydrogen taxis from this week until at least the first half of next year with up to 130 vehicles and 10 hydrogen-fueling stations.

Energy Dept. Rejects Trump Request to Name Climate Change Staff

Posted December 13, 2016, 01:21 P.M. ET

By Todd Shields and Jennifer A. Dlouhy

The Energy Department rejected a request from President-elect Donald Trump's transition team for the names of workers who played a role in implementing President Barack Obama's climate agenda.

“We are going to respect the professional and scientific integrity and independence of our employees,” Energy Department spokesman Eben Burnham-Snyder said in an e-mail Dec. 13. “We will not be providing any individual names to the transition team.”

The transition team asked the agency to list employees and contractors who attended United

Nations climate meetings, along with those who helped develop methods to estimate and justify the benefits of new rules, according to an internal document obtained by Bloomberg News.

Trump has questioned the science of climate change, and named to his transition team a number of people who either deny that man-made global warming is happening or are skeptical of the link between the burning of fossil fuels and the climate. Democrats and outside advocacy groups said the questions were an attempt to intimidate workers.

“Some of the questions asked left many in our workforce unsettled,” Burnham-Snyder said. The department would provide “publicly available information.”

Under Obama, the Energy Department played a major role advancing clean-energy technology through loan guarantees and incubators, while writing efficiency rules for appliances. The department leans heavily on tens of thousands of contractors, who supplement the work of its roughly 13,000 direct employees.

“It’s great that the Department of Energy is taking the independence of its employees seriously and will do what it can to protect their ability to do their jobs,” said Michael Halpern, deputy director of the Center for Science and Democracy at the Union of Concerned Scientists.

Thomas Pyle, who leads the energy-focused transition team for Trump, didn’t immediately respond to an e-mailed request for comment.

Trump has chosen Rick Perry, a former Texas governor, to lead the agency, according to four people familiar with the president-elect’s selection process. Perry, a former presidential candidate, once vowed to abolish the department but forgot its name during a debate. He’s at least the third cabinet pick considered friendly to the oil industry.

EU Panel Notes Progress on Glyphosate Hazard Assessment

Posted December 13, 2016, 12:48 P.M. ET

By Stephen Gardner

The European Chemicals Agency (ECHA) said it was on track Dec. 13 to deliver a recommendation by late 2017 on a European Union hazard classification for glyphosate, the active chemical in Monsanto’s Roundup weed killer and the world’s most widely used herbicide.

ECHA said that its risk assessment committee, which consists of nominees from each of the EU member countries, discussed the issue for the first time at a Dec. 7 meeting and would continue talks in March 2017, ahead of a deadline to deliver an opinion by the end of November 2017.

ECHA’s work on glyphosate is seen as critical to the future authorization of the substance in the EU following conflicting scientific opinions from the World Health Organization’s International Agency for Research on Cancer, which in 2015 said glyphosate was “probably carcinogenic,” and the European Food Safety Authority, which the same year said glyphosate was “unlikely to pose a carcinogenic hazard.”

18-Month Window

The EU authorization of glyphosate expired June 30. Because of disputes about the substance's hazards, the European Commission, the EU's executive arm, approved an 18-month authorization extension, rather than a full reauthorization, while ECHA carries out its hazard assessment.

In a separate statement, ECHA said that when the risk assessment committee opinion on the glyphosate hazard classification is ready, it would be passed to the commission, which would "take the agreed classification into account when deciding on the renewal of the approval of glyphosate" under the EU regulation on pesticide authorizations (Regulation (EC) No 1107/2009).

Under the pesticide authorizations regulation, substances should not be approved for use in pesticides if they fall into the most hazardous classes for carcinogenicity, mutagenicity or reprotoxicity, or if they are endocrine disruptors, though in some cases derogations are allowed if the risks posed by substances can be managed.

Former Navy Seal Zinke Said to Be Considered for Interior Chief

Posted December 13, 2016, 10:26 A.M. ET

By Catherine Traywick, Jennifer A. Dlouhy and Billy House

Representative Ryan Zinke (R), who just won a second term representing Montana in the U.S. House, is being considered by President-elect Donald Trump for Secretary of the Interior, according to two people familiar with the transition team's deliberations.

Zinke, 55, a retired Navy SEAL who was awarded two Bronze Stars for combat missions in Iraq, was an early supporter of Trump and met with the president-elect Dec. 12 at Trump Tower in Manhattan.

"President-elect Donald Trump and I had a very positive meeting where we discussed a wide range of Montana priorities," Zinke said afterward in a statement to The Billings (Montana) Gazette. "We are both very hopeful for the future."

Two people familiar with the deliberations, who spoke on the condition of anonymity to discuss internal deliberations, said he is being considered for Interior Secretary.

Zinke's campaign website mentions that he grew up "at the gateway to Glacier National Park," and that as a fifth-generation Montanan his "love and appreciation for Montana's outdoor heritage began early and still continues to grow to this day."

Energy Independence

"Congressman Zinke is a strong advocate for American energy independence, and he supports an all-encompassing energy policy that includes renewables, fossil fuels and alternative energy," Trump transition spokesman Jason Miller told reporters before the meeting.

Zinke's voting record in Congress has gained low ratings from environmental and conservation organizations since being sworn in to the House of Representatives on Jan. 6, 2015, the first Navy SEAL in the House.

The League of Conservation Voters gave Zinke a 3 percent score in the group's 100-point National

Environmental Scorecard, based on lawmakers' votes on the organization's top issues, including energy, climate change, public health, wildlife conservation and spending for environmental programs. The average score in the group's ratings for all House members in 2015 was 41 percent.

However, Zinke has demonstrated a conservation mindset in the House, where he has repeatedly defended public lands.

Zinke also has been involved in debates over policy affecting native Americans, which could be an asset at the Interior Department that that is home to the Bureau of Indian Affairs and oversees energy development on tribal lands. Zinke worked to get federal recognition for a tribe in Montana and supported making permanent a tax break for coal mined from native American reservations.

Airline Demand for Carbon May Drop 66% If EU Adopts Global Deal

Posted December 13, 2016, 9:41 A.M. ET

By Matthew Carr

Airline demand for carbon permits and credits will probably plunge by two-thirds if European regulators allow internal flights to be covered by a planned international accord on aviation pollution instead of the region's own emissions market.

Carriers will only need to cover 271 million metric tons of carbon dioxide output from 2021 through 2035 under the International Civil Aviation Organization's program agreed on in October, environment consultants CE Delft, based in Delft, Netherlands, said in a report. That compares with 796 million tons covered by the European Union's emissions market under a scenario where its existing rules are extended.

EU lawmakers plan to decide by next month on whether aviation stays in the bloc's trading system as they debate reforms to shrink a record glut of permits. ICAO's deal will require airlines to compensate for emissions above 2020 levels using international carbon credits that are currently about 94 percent cheaper than EU permits.

"If Europe is serious about addressing aviation's climate impact, it can't afford to rely on ICAO alone," said Andrew Murphy, an aviation policy officer at Transport & Environment, a Brussels-based environment group that commissioned the research by CE Delft. "The sort of carbon pricing that will drive emission reductions will only come from a reformed EU emissions trading system."

Every year, the EU gives away or auctions allowances to factories, utilities and airlines, which need them to match their carbon dioxide output or pay fines. The market has included aviation emissions since 2012.

The EU permits have plunged 42 percent this year amid an accumulated surplus that's ballooned to the equivalent of a year's supply. Even at current prices, market purchases of EU permits would cost airlines about 3.9 billion euros ($4 billion), while the ICAO program credits would set them back 79 million euros over 15 years.

"Removing aviation from the EU emission trading system would remove some net demand, which would delay any carbon-price increases," said Jahn Olsen, an analyst in London for Bloomberg New

Energy Finance.

U.K. Tidal-Power Plan Put at Risk by Threat to Salmon and Trout

Posted December 13, 2016, 9:39 A.M. ET

By Jessica Shankleman

U.K. plans to generate power by building a 1.3 billion pound ($1.7 billion) tidal lagoon off the South Wales coast are in doubt after a government-backed body said the project could kill thousands of migratory fish.

Natural Resources Wales may withhold the marine license that Tidal Lagoon Plc needs to build a 320-megawatt renewable energy project in Swansea Bay, a spokesman for the organization said Dec. 13 by phone. The story was first reported by South Wales Evening Post.

The findings threaten to derail the planned project, one of six lagoons envisioned on the U.K.'s coast that together could generate as much as 8 percent of the country's electricity. The Swansea project would harness the power of the world's second largest tidal range, using rock wall 11.5 kilometers long (7.1 miles), enclosing an area in Swansea Bay where 16 turbines will generate power from the ebb and flow of ocean tides.

The lagoon could kill 21 percent of migrating salmon and 25 percent of sea trout every year, potentially having a "major adverse impact" on marine life, according to a letter sent by NRW to stakeholders and seen by Bloomberg News.

"We have categorically demonstrated minimal impacts on fish," Tidal Lagoon said in an e-mailed statement. "Our planning permission was awarded on this basis and our data has only improved since then."

Findings Disputed

The NRW's findings are being disputed, a spokeswoman for Tidal Lagoon said by phone. While the project already has planning permission from the U.K. government, a marine license from Natural Resources Wales is also needed before any marine work can start, said John Wheadon, permitting service manager for NRW, in an e-mailed statement.

"One issue that this considers is the potential effect on fish and we have received a vast amount of evidence on this subject from the applicant and our own experts," he said, adding that a final decision has yet to be made.

Tidal Lagoon is still in talks with the U.K. government for a long-term contract that would guarantee prices for electricity. Officials are currently studying the findings of a review submitted last week by former Energy Minister Charles Hendry examining the economic viability of the project. The current Energy Minister Jesse Norman said a decision is likely to be made next year.

"The most recent proposals put forward by the developer would be a very significant deviation from current government policy," Norman told lawmakers last week in London. The plan is "not impossible, but it requires careful consideration," he said.

China's Steel Mills Output Kept in Check by Pollution Probes

Posted December 13, 2016, 9:32 A.M. ET

By Bloomberg News

China's steel mills were unable to grow supply in November to take advantage of higher prices as the top global producer began stringent environmental checks.

The maker of half the world's steel churned out about 2.21 million metric tons a day in November, the same rate as October, according to Bloomberg calculations based on data from the National Statistics Bureau released Dec. 13. Environmental checks across seven provinces are preventing mills from boosting output to cash in on higher prices, according to Kevin Bai, analyst at CRU Group in Beijing.

"Normally when prices go up, production will naturally go up as well, but given these environmental inspections that's not happening," Bai said in a phone interview. The curbs have contributed to a tighter steel supply which has helped fuel gains, he said.

Teams of inspectors were sent to seven locations for a month from Nov. 24, including Beijing and Shanghai and the provinces of Hubei and Guangdong, to ensure steelmakers are following environmental standards, according to a notice on a government website.

The environmental crackdown adds to the government's armory of policies as it attempts to reshape an industry that's grown too big, fueling corporate debt and adding to trade tensions as exports expand. The leadership has pledged to shut as much as 13 percent or 150 million tons of annual capacity by 2020, and is pushing big mergers as part of a shake-up of state-owned enterprises. Last week, authorities in Hebei and Jiangsu provinces vowed to shut a specific type of plant using scrap as a raw material.

Steel reinforcement bar used in construction was headed for its highest close in almost two years on Dec. 13 after a 15 percent gain in both October and November. Steelmakers' fortunes have been transformed this year after the government pumped money into infrastructure and boosted the property market to steady the economy.

Crude steel output in November fell 3.2 percent to 66.29 million tons, the lowest in at least nine months. Output for the first eleven months of the year rose 1.1 percent to 738.9 million tons.

New Jersey Utility Uses Google Car to Stop Gas Leaks for Less

Posted December 13, 2016, 03:20 P.M. ET

By Mark Chediak

New Jersey's largest utility owner said it's plugging natural gas leaks faster and for less money by deploying a Google Street View car from Alphabet Inc. that can sniff out the fuel seeping from its pipeline system.

Gas detection and mapping technology developed by Google, the Environmental Defense Fund and Colorado State University can help pinpoint leaky pipes for replacement as Newark-based Public Service Enterprise Group Inc. undertakes a $905 million infrastructure upgrade, the company said Dec. 13 in a statement.

The administration of President Barack Obama has sought to crack down on emissions of methane, a potent greenhouse gas that has 80 times the warming power of carbon dioxide, according to environmental advocates. Utilities from New York to California are working to reduce leaks, a persistent challenge in areas with older pipelines. Methane is the main component of the heating and power plant fuel.

“Reducing methane emissions is one of the quickest ways we have to protect the climate,” Fred Krupp, president of the environmental group EDF, said in the statement. “By tackling these leaks faster, PSE&G will achieve a lot more environmental benefit for their infrastructure dollars.”

Public Service said it can cut methane emissions by 83 percent while replacing 35 percent fewer miles of pipe by using data gathered by Google and EDF. The average cost of replacing a mile of gas line on Public Service’s system is about $1.5 million to $2.0 million, the utility said. The leaks typically don’t pose a safety threat, according to Public Service.

Exxon CEO-In-Waiting to Inherit Rex Tillerson’s Mixed Legacy

Posted December 13, 2016, 8:22 A.M. ET

By Joe Carroll

The man poised to replace Rex Tillerson as the leader of America’s most influential energy giant helped transform Exxon Mobil Corp.’s refining business from a poor cousin of oil production to the primary profit generator.

Darren Woods, the company’s refining boss since 2012, may be named the next chief executive officer after Tillerson was picked as secretary of state by President-elect Donald Trump on Dec. 13. Even if Tillerson doesn’t become the top diplomat—three Republican senators have expressed misgivings about his nomination—he’s due to retire no later than March, when he will reach Exxon’s mandatory retirement age.

Woods, 51, would inherit a drilling and refining behemoth hamstrung by a 2 1/2-year slump in energy markets, ill-timed investments in North American shale and Russia, and allegations of deceiving investors with a climate-change cover-up. Still, Trump’s election, OPEC’s plan to cut production and Woods’s ability to boost the value of the company’s refineries have all combined to change the face of the industry for Exxon heading into the future.

A President Trump will “absolutely” be a boon to Exxon and the rest of the oil industry, Fadel Gheit, an analyst at Oppenheimer & Co., said in a telephone interview. “The industry hasn’t asked for a hand up from Washington, but instead has said, ‘Get off our backs.’ Less regulation means less burden” on oil explorers.

Woods's elevation to CEO was telegraphed with his December 2015 promotion to president and the board of directors. He's been a member of the six-person management committee that oversees day-to-day operations since June 2014.

Refining Reversal

For the past five quarters at Exxon, refining has outperformed so-called upstream oil and natural gas wells, a complete reversal of the traditional relationship. Since June 2015, Exxon's refineries and related business lines raked in $6.34 billion, compared with $3.05 billion for the oil and gas business. During that same period, refining burned through $3.1 billion in capital spending, compared with almost 10 times that amount—$22.9 billion —in the upstream segment.

A Kansas-born electrical engineer by training, Woods joined Exxon as an analyst in 1992 and rose through the ranks on the refining and chemicals side of the business. His main rival in the competition to succeed Tillerson was Jack Williams, a drilling engineer who oversaw oil and natural gas projects from Louisiana to Malaysia before taking control of XTO Energy, the shale explorer Exxon bought in 2010 for $35 billion.

One of Woods's most-pressing tasks will be figuring out how to rescue a still-born Russian joint-venture that locked up $1 billion in investments and a billion-barrel Arctic oil discovery behind a wall of international sanctions.

Russia Quandary

When Exxon signed a 2011 agreement to join with Rosneft PJSC in drilling Arctic, deepwater and shale fields, it was seen as a crowning achievement of Tillerson's career. But the work slammed to a halt when the U.S. and European Union imposed economic sanctions against Russia in 2014 as punishment for its annexing Crimea and supporting Ukrainian separatists. The venture has been mostly idle ever since.

On the home front, Woods will have to confront allegations by attorneys general from New York, Massachusetts and other states that Exxon misled investors about the threat posed to the company's portfolio by climate change. Under Tillerson, the company has aggressively defended its record and said the probes are politically motivated.

Woods made $28,833 in political contributions during the past four years. The biggest recipient was Exxon's political action committee, which took in $13,700. Woods also gave the Republican National Congressional Committee $10,000.

The Organization of Petroleum Exporting Countries and several non-OPEC nations including Russia committed to cutting almost 1.8 million barrels a day of crude starting next year.

Legendary oil tycoon Boone Pickens sees crude reaching $60 a barrel within a month, and $75 some time next year. "I'm long oil," Pickens said during a Bloomberg Television interview on Dec. 12. "Members will carry out what they say they will do. They will cut supply."

With assistance from Bill Allison, Scarlet Fu, Joe Weisenthal and Paris Wald.

Germany's Next Nuclear Headache Is Over Cash or Reactor Life

Posted December 13, 2016, 8:12 A.M. ET

By Weixin Zha, Brian Parkin and Tino Andresen

Germany faces a choice between extending the lives of reactors or paying hundreds of millions in cash to some of the nation's biggest utilities.

The government's dilemma, the latest twist in the nation's ambivalent relationship with atomic energy, comes after the Constitutional Court in Karlsruhe said last week the government must compensate RWE AG and Vattenfall AB for output lost since Chancellor Angela Merkel's decision to shut reactors after the 2011 Fukushima disaster in Japan.

"We're at the start of long, long negotiations that will last well into next year," Andreas Kuebler, an environment ministry spokesman in Berlin, said by phone. "We're really just at the start of trying to assess what the ruling means."

The judgment is finally some good news for Germany's utilities and comes at the end of what's been a pivotal year for the industry. Outmaneuvered by the renewable energy revolution and the slump in wholesale power prices, they've been forced to write off assets to the tune of billions of euros and scrap outdated business models by either splitting up or selling off old-style fossil fuel plants.

The ruling states that the government will have to compensate the utilities for about 80 terawatt-hours of lost output, or roughly eight years of production from one reactor.

Germany has shut nine reactors since Fukushima, which triggered Merkel's u-turn on nuclear. Just months after extending the lives of reactors in 2010, she initiated an exit plan and closed some plants almost immediately. Germany's remaining eight reactors owned by RWE, EON SE and Energie Baden-Wuerttemberg AG all have to close by 2022.

The court gave the government until June 2018 to amend a nuclear law to compensate utilities financially, or allow reactors to operate longer. This second option is complicated as the two reactors operated by Vattenfall have already been decommissioned, while RWE units have to close before they can use up an allocated amount of electricity assigned under previous phaseout rules for atomic plants.

"Our red line is that the nuclear phase out will not be extended, nor will reactors run longer than has been set in legislation," Kuebler said.

A third alternative would be that unused power rights allocated to RWE and Vattenfall could be passed to other utilities with free production capacities. The government would need to compensate companies for the remaining power that can't be generated, but not necessarily fully. Utilities may already transfer production time from old to newer plants.

How much output could be transferred?

Greenpeace estimates RWE and Vattenfall could get as much as 300 million euros ($319 million) if their unused generation is transferred and the utilities are reimbursed for the rest. Becker Buettner Held, a German law firm that specializes in the energy industry, sees compensation in the hundreds of millions of euros area after operating costs.

RWE's claim from the ruling is worth 500 million euros, or 0.70 euros per share, Ingo Becker, an analyst at Kepler Cheuvreux, said in an e-mailed note. The utility's shares have dropped 4.1 percent since the court ruling to 11.43 euros in Frankfurt.

Willing Negotiators

"It is up to the lawmaker to think about adequate possibilities, we're willing to talk," RWE Stephanie Schunck, an RWE spokeswoman in Essen, said by phone. The position was echoed by Vattenfall spokeswoman Sandra Kuehberger. EON and EnBW said they are still analyzing the court decision.

Government forecasts in the ruling show EON and EnBW could take over as much as 82 percent of production rights from RWE and Vattenfall within the running time of their remaining reactors.

"The government will try to use available capacities of EON and EnBW as this will cause less money to flow to the utilities" and lower cost to the taxpayer, Olaf Daeuper, a lawyer at Becker Buettner Held, who represented three German states at the court hearing, said by phone from Berlin.

The government is mulling alternatives to financial compensation to RWE and Vattenfall, Deputy Environment Minister Jochen Flasbarth told Berlin's Inforadio on Dec. 7. Any compensation would be "a case of very small sums," he said.